

# TRQs Have Little Impact on EU Market Access, While CEEs May Benefit

*Along with reducing domestic support and export subsidies, the Uruguay Round Agreement on Agriculture (URAA) aimed at improving market access. This article estimates the potential impact of the European Union's (EU) new market access commitments under the Uruguay Round on the overall level and the source of its agricultural imports. The EU's system of TRQs that are notified under the Uruguay Round will have only a limited impact on the level of EU imports. In terms of their effects on EU import source, countries of Central and Eastern Europe that concluded Europe Agreements with the EU stand to gain a large share of the new imports created under the TRQs.*  
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## Introduction

The EU's system of tariff-rate quotas (TRQs)<sup>1</sup> that are notified under the Uruguay Round will have only a limited impact on the level of EU imports. EU agricultural imports under its Uruguay Round TRQs are estimated to increase almost \$1 billion by 2000/01, the final year of URAA implementation, representing about 2 percent of current agricultural imports. From this standpoint, new EU market access opportunities under the Uruguay Round are limited. In terms of their effects on EU import source, countries of Central and Eastern Europe that concluded Europe Agreements with the EU (CEE-10)<sup>2</sup> stand to gain a large share of the new imports created under the TRQs. The CEE-10 benefit from lower tariffs for most products, while the EU counts imports under the Europe Agreements against the utilization of its Uruguay Round TRQs. The CEE-10 are expected to take greatest advantage of new EU market access for pork and butter, whereas the benefits of new EU market access will likely be spread among a greater number of exporting countries for poultry, cheese, egg products, and skimmed milk powder. U.S. exporters are most likely to be competitive in the EU's TRQs for eggs, egg products, some pork loins, and some cheeses.

This article does not address the impact of Uruguay Round tariff reductions or the "margin of preference" arrangement for grains on EU imports. Additionally, it does not consider the impact of non-tariff measures that restrict imports such as technical barriers to trade (TBTs) or sanitary and phytosanitary (SPS) measures.

## Why Market Access Under the Uruguay Round Agreement on Agriculture: A Brief Overview

Market access, in short, is the extent that a country allows the importation of foreign products. Prior to the Uruguay Round, countries used both tariffs and non-tariff measures—such as quotas and variable levies—to regulate imports of agricultural goods. The Uruguay Round Agreement on Agriculture (URAA) brought many non-tariff measures in agriculture under WTO disciplines, so that since July 1, 1995, all import protection takes the form of ad-valorem tariffs (equal to a percentage of the product's value) or specific tariffs (per unit weight, volume, by the piece, etc.). Countries bound their tariffs at maximum levels and are reducing them over the implementation period (36 percent on average between 1995/96 and 2000/01 for developed countries). Tariff-rate quotas (TRQs) are now used to import a fixed quantity of product at a tariff below the out-of-quota most-favored-nation (MFN) tariff. For the EU, in many cases MFN tariffs were determined under the process of tariffication.

Why did the Uruguay Round replace quotas and similar measures (such as voluntary restraint agreements) with TRQs, which also distort trade? The process of tariffication involved converting non-tariff barriers (NTBs) into tariffs. For many countries like the EU, protectionist NTBs were thereby converted into equally protectionist tariffs. Although it was not supposed to, protection potentially increased for some products through "dirty tariffication," where countries used the lowest available import price and the highest internal market price to overstate the base tariff. Therefore, countries were required to establish TRQs (1) to preserve market access by ensuring that historical quantities continued to be imported ("current access" TRQs), and (2) as a means of providing for additional imports under minimum access, a guarantee that at least some new quantities would be provided import opportunities under non-prohibitive tariffs.

<sup>1</sup>Readers who are unfamiliar with tariff-rate quotas should refer to the box defining key terms related to TRQs.

<sup>2</sup>The CEE-10 are: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.

## Key Terms Related to Tariff-Rate Quotas (TRQs)

- *Current access TRQs* are those that maintain historical imports.
- *Minimum access TRQs* create additional import opportunities for products previously covered by a non-tariff barrier (e.g., import ban or high variable levy) whose imports did not equal at least 5 percent of domestic consumption in the 1986-88 base period.
- *Out-of-quota tariffs* are the higher tariffs applying to imports outside a TRQ quantity (once a TRQ has been fully utilized).
- *In-quota (TRQ) tariffs* are the lower tariffs applying to imports within the limited TRQ quantity.

There are two country-origin types of both out-of-quota and in-quota tariffs: Most-favored-nation (MFN) and preferential:

- **MFN tariffs** are those applied to all countries that are signatories to the Uruguay Round. The *in-quota MFN tariff* is that for which all countries are eligible within a fixed TRQ quantity. The *out-of-quota MFN tariff* is the higher tariff applicable to all countries above the fixed TRQ quantity.
- **Preferential tariffs** are those tariffs from which one or more, but not all, countries benefit within the scope of the bilateral, regional, or preferential trade agreements (e.g., the Europe Agreements, the European Economic Area, the Lome Convention, the Generalized System of Preferences). These tariff preferences have created numerous departures from the MFN principle, namely that WTO members should apply the same tariff to imports from other WTO members. The *in-quota preferential tariff* is that which the EU grants to specific countries for a limited quantity. Additionally, under some trade agreements (including the Europe Agreements) specific countries benefit from tariff preferences outside their allocated TRQ quantities or from tariff preferences with no quantitative restriction: These are *out-of-quota preferential tariffs*.

Whereas an out-of-quota preferential tariff is always lower than the corresponding out-of-quota MFN tariff, an in-quota preferential tariff is not necessarily lower than the corresponding in-quota MFN tariff. This is because the EU bases its calculations for in-quota preferential tariffs on a percentage of the *out-of-quota* MFN tariff, not the in-quota MFN tariff. For most countries under the Europe Agreements, in-quota preferential tariffs are currently equal to one-fifth of the corresponding out-of-quota MFN tariff. The CEE-10 do not benefit from lower tariffs under the Europe Agreements for some TRQ products. Nevertheless, in-quota preferential tariffs for imports into the EU are usually lower than their corresponding in-quota MFN tariffs.

### EU tariff structure for TRQ products

ELIGIBLE COUNTRY SOURCE	TYPE OF TARIFF	
	<i>Out-of-quota</i> (no quantitative restriction)	<i>In-quota</i> (with quantitative restriction)
<i>Most Favored Nation</i> (all WTO members)	Bound tariff to be reduced 36% on average by 2000/01	Lower tariff within fixed TRQ quantity. Applies to minimum access TRQs as well as some current access TRQs.
<i>Preferential</i> (country-specific)	Normally calculated as percentage of MFN out-of-quota tariff.	Also calculated as percentage of MFN out-of-quota tariff, but applicable only within country-specific TRQ quantity. As they are based on the out-of-quota tariff, may be either more or less advantageous than the MFN in-quota tariff.

Countries established “minimum access” TRQs for quantities of imports needed to reach a negotiated amount, often 5 percent of base-period (1986-88) domestic consumption, by the end of the implementation period. It is important to note that neither the current nor the minimum access TRQs constitute a minimum purchase agreement. They provide only the “opportunity” to import under the advantage of a preferential or suspended tariff.

From a political standpoint, TRQs also served to meet the concerns of traditional exporters. Beneficiaries of the old country-specific quotas, voluntary restraint agreements, and similar schemes were intent on preserving their previous access. Though continuing the practice of country allocations (which occurred in some but not all cases) meant that competition among exporting countries would remain restricted, it would have been very difficult as a matter of

policy to disrupt historical trade patterns under existing bilateral, regional, and preferential trade agreements.

From an economic perspective, TRQs are preferable to quotas because under certain conditions they cause less distortion to trade flows. A quota seriously distorts trade by banning imports above a fixed quantity. Once the quota ceiling is reached, market forces of supply and demand can play no role. A TRQ may cause less trade distortion as it allows for imports—albeit at a higher out-of-quota tariff—above the fixed quantity ceiling. However, a TRQ distorts trade less than a quota only if its out-of-quota tariff is not prohibitively high.

Additional benefits of the tariffication process include more transparency in the application of border measures. The bound tariffs and TRQs resulting from this process now provide a sound basis in future rounds from which to negotiate further tariff reductions or increased TRQ import opportunities.

In sum, current access TRQs ensure that imports will be provided access no worse than historical levels while minimum access TRQs create the opportunity for new imports.

### ***Uruguay Round TRQs Expand EU Imports 2 Percent by 2000/01***

An analysis of two types of URAA arrangements—current access TRQs and minimum access TRQs—reveals that their combined impact on the level of EU imports will be minimal. None of the EU's current access TRQs under the Uruguay Round will have an impact on the level or country source of EU imports, other than by putting access opportunities on a firmer footing. By their very definition and design, the current access TRQs have no net effect on imports as these arrangements under the URAA serve only to maintain historical import levels. In addition, the EU's minimum access TRQs that are compensation for the enlargements to Austria, Finland, and Sweden (1995), as well as from the 1992 GATT dispute on oilseeds, should be excluded from the analysis. These include the minimum access TRQs for 20,000 tons of beef, 15,500 tons of poultry meat, 500,000 tons of corn, and 300,000 tons of high quality wheat for the GATT oilseeds panel dispute, as well as 700 tons of poultry meat, 63,000 tons of semi-milled or wholly milled rice, 20,000 tons of husked (brown) rice, 50,000 tons of durum wheat, 21,000 tons of oats, and 10,000 tons of worked oats for the 1995 enlargement.

Therefore, only EU minimum access commitments that were not awarded as compensation will potentially increase imports. These are the EU's minimum access TRQs for pork meats and products, some poultry meats, butter, cheese, skimmed milk powder, eggs and yolks, and egg albumin.

### **Uruguay Round TRQs Determine Only 10 Percent of EU Agricultural Imports**

Based on quantities notified by the EU to the WTO and using average import prices, 1996 EU imports under its Uruguay Round TRQs (current access and minimum access combined) made up only 11 percent of its total agricultural imports, while imports under the minimum access TRQs alone accounted for just 1 percent of the total. The EU continues to import most of its agricultural goods under TRQs and other preferential tariff arrangements that were not included in its URAA market access schedule, or under relatively low MFN import tariffs (most of which were low prior to the Uruguay Round).

Over the years, the EU has granted numerous import concessions under bilateral, regional, and preferential trade agreements, many of which were not included in the EU's Uruguay Round commitments. Some of these EU import concessions involve preferential TRQs, while others involve tariff preferences not subject to quantitative restriction. Some of the more important arrangements are listed in Appendix 1. They include preferential-tariff imports into the EU for tropical oils, cocoa, coffee, tea, spices, cheese, fresh tomatoes, citrus fruits, fruit juices, prepared or preserved fruits and nuts, olive oil, prepared or preserved meats, and pet food.

Also, the EU applies relatively low import tariffs on an MFN basis for certain products that are used as inputs into animal feeding or for processed foods. Important examples include soybeans, oil cakes, dried peas and beans, honey, tobacco leaf, and nuts—in 1995, imports of these 7 products alone made up about one-quarter of total EU agricultural imports. Finally, EU imports include specialty products such as alcoholic beverages that, although subject to high tariffs, have established important niche markets among well-to-do EU consumers.

These minimum access TRQs will have only a limited impact on EU imports (table 1). Assuming that all TRQs are fully utilized, EU imports are expected to increase about 780 million ECU (\$950 million) by 2000/01, roughly 2 percent of current EU agricultural imports (around \$50 billion in 1996). The import estimate involves the simplified assumption that average import prices will remain the same as those calculated during 1995/96, the first year of URAA implementation. It ignores any changes in quality, exchange rates, or inflation; average import prices within each product group are not trade-weighted.

### ***Europe Agreements Likely To Affect EU Import Source for Most Minimum Access TRQs***

Under the Uruguay Round, EU imports under the Europe Agreements may count towards utilization of its minimum

**Table 1--New EU-15 Import Opportunities Under Minimum Access TRQs, 2000/01**

Minimum access product	(1) Min. access TRQs, 2000/01 (1,000 tons)	(2) Avg. import price, 1995/96 (1,000 Ecu/ton)	(3) = (1) * (2) Estimated value (Mil. Ecu)
Pork meats	66.5	1.6	105
Prepared/preserved pork	9.1	5.9	54
Poultry meats			
Chicken carcass	6.2	1.5	9
Chicken cuts 1/	4.0	2.6	10
Turkey meats	3.5	2.8	10
Butter	10.0	2.3	23
Eggs/yolks	142.0	1.3	188
Cheese	83.4	3.0	253
Skimmed milk powder	68.0	1.6	106
Egg albumin 2/	7.8	2.7	21
Total			778

1/ Tariff headings 02071310/1320/1330/1340/1350/1360/1370/1420/1430/1440/1460.

2/ In egg albumin equivalent.

Sources: Eurostat, WTO schedule CXL (EU-15).

Minimum access TRQ quantities awarded as GATT compensation are not included (this includes those for beef, some poultry cuts, and grains).

access TRQs for most pork products, poultry, cheese, skimmed milk powder, and egg products (the arrangement is identical for U.S. imports of some products from Mexico and Canada under NAFTA). The CEE-10 benefit from a tariff preference for most of the minimum access TRQs that is lower than the in-quota MFN tariff, and the CEE-10 are significant, low-cost suppliers of most of the products concerned. For these reasons, the CEE-10 stand to gain most from the new imports created by the EU's minimum access

**Table 2--Minimum Access TRQ products: Average MFN and Europe Agreement Tariffs, 1995/96**

Minimum access product	Out-of-quota MFN	In-quota MFN	In-quota preferential tariff: Europe Agreements 1/
		-Percent-	
Beef	209.0	16	32 2/
Pork meats	72.5	22	14
Prepared/preserved pork	52.3	8	10 2/
Poultry meats	43.6	11	9
Butter	123.6	39	25
Eggs/yolks	55.2	19	11
Cheese	88.0	21	20
Skimmed milk powder	91.8	30	18
Egg albumin	54.3	18	n/a

1/ Average tariffs do not include those for the Baltics, which benefited from only a 60 percent reduction.

2/ Preferential tariffs under the Europe Agreements are calculated as a percentage of the out-of-quota MFN rate; for this reason, they may exceed the corresponding in-quota MFN tariff.

Sources: Eurostat; Official Journal of the European Communities--Taric; CAP Monitor.

Tariffs are expressed as simple averages across minimum access TRQ tariff lines.

Tariffs are expressed in ad-valorem equivalents based on average import prices in 1995/96.

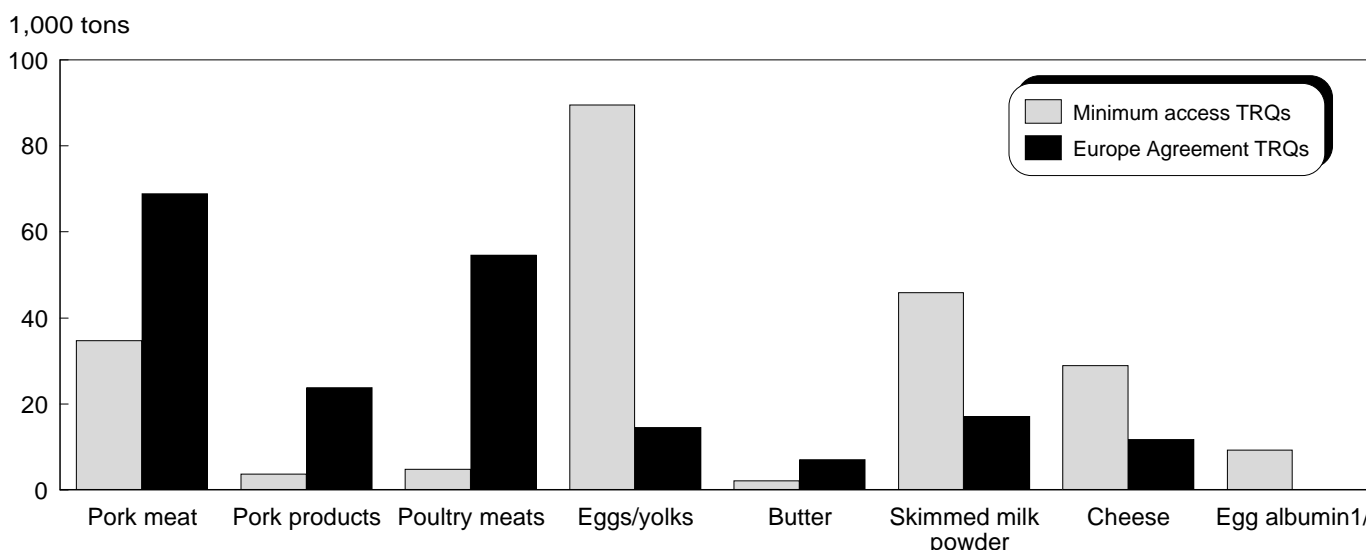
TRQs. The geographic proximity of the CEE-10 provides an additional export advantage.

Although under the Europe Agreements the CEE-10 benefit from tariff preferences that are often lower than in-quota MFN levels, they do so only within limited quantities that vary considerably by product category. When comparing

Figure 1

### Europe Agreement TRQs Count Towards Utilization of the EU's Minimum Access TRQs

*Europe Agreement TRQs Exceed Uruguay Round TRQs for Pork, Poultry, Butter*



1/ TRQ notified in eggshell equivalent.

Sources: EU-15 market access schedule CXL; Europe Agreements; CAP Monitor. Minimum access TRQs that were awarded as compensation are not included. TRQ comparisons in 1996/97 for all products except 1997/98 for pork.

TRQ quantities under the Uruguay Round and the Europe Agreements, it becomes clearer what share of the EU's Uruguay Round TRQs might be captured by the CEE-10.

### ***Pork meats and products***

The CEE-10, in particular Hungary, have historically dominated EU imports of pork meats and products under the minimum access tariff lines, with a share exceeding 90 percent. With preferential tariffs marginally lower than the in-quota MFN tariff, and with current TRQ quantities under the Europe Agreements (92,700 tons) already exceeding the EU's URAA commitments in 2000/01 (75,600 tons), much of this pork is likely to be imported under the Europe Agreements and count against the EU's Uruguay Round TRQs. However, U.S. exporters might be competitive in certain cuts such as loins. One minimum access TRQ provides for zero-tariff imports of 7,000 tons of fresh/chilled pork loins and frozen bellies. According to the EU's URAA schedule, imports under the Europe Agreements may not count against utilization of this particular TRQ.

### ***Poultry meats***

Traditional exporters of poultry to the EU include Argentina, Brazil, the CEE-10, China, and countries of Southeast Asia. Europe Agreement TRQs for poultry meats also covered under the EU's minimum access TRQs currently total about 55,000 tons, almost four times the EU's final minimum access TRQ quantities under the Uruguay Round that were not awarded as a result of the 1992 oilseeds panel dispute or the EFTA enlargement (13,700 tons in 2000/01). For fresh/chilled poultry meats—11,200 tons of the Uruguay Round total—the CEE-10 benefit from preferential tariffs that are marginally lower than the in-quota MFN tariff. These quantities include products for which the CEE-10 are the EU's main supplier. Therefore, we can expect most of the fresh/chilled quantities to be imported under the Europe Agreements and count against the Uruguay Round TRQs. For the remaining 2,500 tons of frozen turkey, the CEE-10 do not have a tariff advantage vis-a-vis the zero percent in-quota MFN tariff. Therefore, all third countries have the same opportunity to benefit from the minimum access TRQs for frozen turkey. Even if the United States can resolve sanitary issues that continue to block its poultry meat exports to the EU, U.S. exporters may be able to gain only a small portion of the EU frozen poultry meat TRQs.

### ***Cheese***

Europe Agreement TRQs for cheeses also covered under the EU's minimum access TRQs are currently fixed at 11,700 tons, about one-third of the 1996/97 minimum access TRQs. However, because preferential tariffs under the Europe Agreements are roughly equal to the corresponding in-quota MFN tariffs, all third countries have the same potential to benefit from the EU's minimum access TRQs for cheese. Among these TRQs, U.S. producers of processed cheese

appear to be benefiting most. However, in value terms U.S. cheese exports under the minimum access TRQs were small at under \$3 million in 1996.

### ***Butter***

Europe Agreement TRQs for butter are currently fixed at 7,000 tons, or more than three times the EU's 1996/97 minimum access TRQ under the Uruguay Round. Although the EU's minimum access TRQ for butter will increase to 10,000 tons by 2000/01, Europe Agreement TRQs are also likely to expand over time. As the Europe Agreements grant a tariff preference that is substantially greater than the in-quota MFN tariff, nearly all of the minimum access TRQ for butter stands to be imported from the CEE-10.

### ***Skimmed milk powder***

Europe Agreement TRQs for skimmed milk powder (SMP) are currently equal to 17,000 tons, roughly one-third of the EU's minimum access TRQ in 1996/97 (45,900 tons). As the Europe Agreements grant a tariff preference that is considerably lower than the in-quota MFN tariff, a sizable share will probably be imported from the CEE-10 and count against the Uruguay Round TRQs. Eurostat data reveal that while the EU's SMP imports have increased more than 50 million ECU from 1992 to 1996, the CEE share of total SMP import value rose from 8 percent to 75 percent. In 1996, EU imports from the CEE-10 totaled nearly three times the quantities under the Europe Agreements, so that CEE imports are also entering the EU under the larger minimum access TRQ. The high CEE-10 share of EU skimmed milk powder imports is due not only to lower tariffs, but also to CEE export subsidies which fall within the scope of their URAA commitments.

### ***Eggs and egg products***

Europe Agreement TRQs for eggs and egg products also covered under the EU's minimum access TRQs are currently equal to 14,500 tons, only 15 percent of the minimum access TRQs in 1996/97 (98,800 tons). The Europe Agreements grant tariff preferences for eggs and yolks that are marginally better than the in-quota MFN tariff, but grant no tariff preference for egg albumin. The United States and the CEE-10 are presently the main suppliers in these relatively small import markets. All countries should be on an equal footing (from an import tariff perspective) to compete for the lion's share, excluding the aforementioned quantities under the Europe Agreements. However, thus far the EU has imported only a small fraction of its minimum access TRQ for poultry eggs. In the 1995/96 marketing year, only 77 tons were imported out of more than 70,000 tons eligible for the lower tariff of 152 Ecu per ton (17 percent ad-valorem based on average import prices that year).

In terms of market share, the minimum access TRQs for egg products and egg albumin are creating opportunities for U.S.

## Uruguay Round Requires Changes in EU Import Regime

The tariffication process required the EU to substantially modify its import policies. Most important was the elimination of the EU's system of variable levies. Tariffication under the Uruguay Round Agreement on Agriculture resulted in two different EU import regimes for grains and non-grain products.

**For grains**, the old EU system depended on a system of target (desired internal market) and threshold (minimum import) prices. To protect domestic producers, the threshold price was set considerably higher than the EU target price. As world prices fluctuated, the EU used variable import levies to bring the price of imports up to the threshold price. Under the Uruguay Round, the EU agreed to maintain a margin of preference for grains, so that imports of wheat, barley, rye, corn, and sorghum are subject to tariffs that maintain the duty-paid import price at 155 percent of the EU intervention price. (The price relationship for rice is fixed at 180 percent to 267 percent, depending on variety. Oats are not subject to the EU's intervention system and therefore have a bound tariff.) Since the Uruguay Round, the EU has replaced its threshold and target prices with a system of world (mainly U.S. market) and domestic (EU) reference prices for each of the above grains. Because the EU Commission adjusts its grain import tariffs every 2 weeks against changes in U.S. market prices, the mechanism works almost identically to a variable levy. However, an important difference is that grains are no longer subject to a minimum but rather a maximum import price. Since this is a fixed price and there can no longer be quantitative restrictions on imports, the effect of the "margin of preference" on grain imports is more similar to a bound tariff than a variable levy.

**For products other than grains**, including animal products, oilseeds, and horticultural products, bound tariffs now apply to EU imports. However, tariffication only partly succeeded in making EU import duties more transparent. While all tariffs are now bound, the new EU regime applies tariffs on many processed products that depend on the content of certain ingredients, and tariffs on horticultural products that depend on their import price and the season. A formula increases the tariff for processed products depending on their content of added sugar, flour, starch, or milk. The EU argues that its processors are disadvantaged by higher input costs due to domestic price support for these basic ingredients, and therefore require protection that depends on the content of these ingredients in imported goods.

In addition, the EU is permitted under the Uruguay Round to apply higher tariffs on imports of some horticultural products that enter below a fixed target price ("Entry Price System"). By controlling the duty-paid import price at a target level, the EU can insulate its domestic markets to a large extent from world price fluctuations. The Entry Price System also allows the EU to discriminate against cheaper imports. In April 1996, for example, sweet oranges with a price above 372 Ecu per ton were subject to a 13 percent ad-valorem tariff, while those below 372 Ecu per ton were subject to the same tariff plus a specific tariff of a maximum 89 Ecu per ton. Finally, the EU continues to subject certain dried fruits (raisins, currants, and sultanas) to a minimum import price. This mechanism must be replaced by 2000 to comply with the GATT.

For all products, the special agricultural safeguard clause (URAA Article 5) provides a notable derogation from the rule of bound tariffs. Under this clause, countries may *temporarily* apply extra duties for products specified in their schedules of concessions if import prices should fall more than 10 percent below a "trigger price" or if the quantity of imports rises too quickly in relation to an average over the previous three years. Each year, the EU Commission calculates the trigger price for a commodity based on a representative world market price and the cif import price. In the first year of Uruguay Round implementation (1995/96), the EU notified the WTO that it invoked the safeguard clause to increase import duties only for frozen boneless chicken, sugar, and molasses.

exports to the EU. However, while the United States was the leading exporter under these TRQs in 1996, its exports of eggs, yolks, and egg albumin to the EU accounted for a combined total of less than \$10 million. These are very small numbers relative to total U.S. agricultural exports to the EU of more than \$9 billion in 1996.

### Summary

The EU's TRQs are projected to have a limited impact on the level of EU imports for a narrow range of products—pork, poultry, skimmed milk powder, butter, cheese, and eggs. EU imports under its TRQs are projected to increase

less than \$1 billion by 2000/01. In terms of the country source of EU imports, preferential tariffs under the Europe Agreements probably mean that the CEE-10 will gain the largest share of the EU's minimum access TRQs for pork and butter and a substantial share of the minimum access TRQs for skimmed milk powder and fresh/chilled poultry meats. Based on recent trends, the CEE-10 may also gain EU import share for skimmed milk powder outside the framework of the Europe Agreements. Finally, all third countries have an equal opportunity (from a tariff perspective) to export egg products and cheese under the EU's minimum access TRQs. U.S. exporters are most likely to gain a

share of the EU's minimum access TRQs for eggs, egg products, some pork loins, and some cheeses.

### **Uruguay Round TRQs Will Help EU Reach 5 Percent Market Access for Some Products**

What impact will the EU's minimum access TRQs have on its imports measured as a share of domestic consumption? Under the Uruguay Round, all countries agreed to open new market access that would rise to a negotiated level—usually 5 percent of base period domestic consumption—by 2000/01. However, an important caveat was made during the Uruguay Round negotiations: the 5 percent target was rejected as a legally binding commitment. This means that under the WTO/URAA, the EU has to grant “market access opportunities” only for those quantities contained in its URAA schedule. Here, the 5 percent import target is simply a useful rod against which to measure EU market access for different products.

The EU's minimum access TRQs should be sufficient to reach import opportunities of roughly 5 percent of base period consumption for skimmed milk powder and cheese (see figure 2). On the other hand, the minimum access TRQs for pork, poultry, butter, and eggs do not increase import opportunities up to the 5-percent level. EU market access is estimated to reach only 0.9 percent of base period domestic consumption for pork, 3.5 percent for butter, 3.9 percent for eggs, and 4.1 percent for poultry. Using 5 percent of base period consumption as a measuring rod and EU imports between 1993 and 1994, EU import opportunities would need to increase another 580,000 tons for pork, 50,000 tons

for poultry, 35,000 tons for butter, and 50,000 tons for eggs. EU reductions in out-of-quota tariffs under the Uruguay Round may also increase imports of these products by 2000/01, but further analysis needs to be done on this subject.

### **Conclusions**

On the eve of Uruguay Round implementation, EU market access varied considerably across products. The Uruguay Round Agreement on Agriculture began the process of liberalizing agricultural trade and improving market access for a range of products. While the EU's current access TRQs under the Uruguay Round will have no net effect on imports, its minimum access TRQs will potentially increase imports of a limited number of products. Using the import target of 5 percent of base period consumption as a measuring rod, the EU's minimum access commitments should be roughly sufficient for skimmed milk powder and cheese, but will not reach 5 percent for pork, poultry, butter, or eggs.

Countries of Central and Eastern Europe that have concluded Europe Agreements with the EU are projected to gain a sizable share of the trade under the minimum access TRQs, although the share varies considerably by product. While the CEE-10 are likely to take greatest advantage of the TRQs for pork and butter, the benefits of the TRQs for poultry, cheese, egg products, and skimmed milk powder will likely be spread among a greater number of exporting countries.

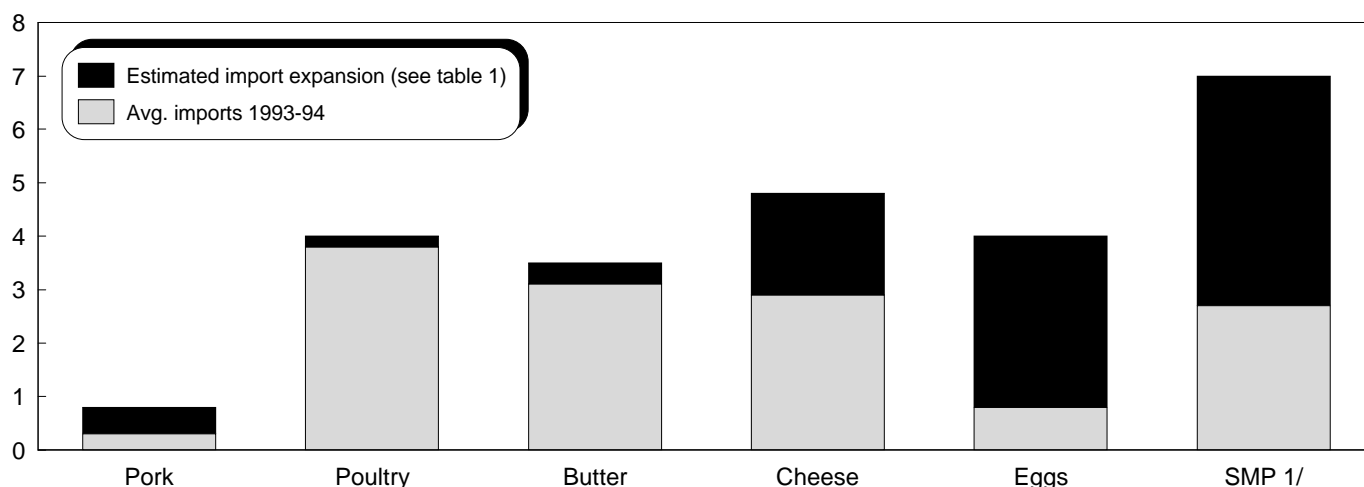
Further analysis is needed on the effects of tariffication to gain a more complete estimate of the Uruguay Round's effect

Figure 2

### **EU Market Access Could Remain Most Restricted for Pork, Butter**

*Average EU Imports 1993-94 and Minimum Access TRQs as Percent of Base-Period Consumption*

Percent of base period consumption



1/ Skimmed milk powder.

Data source for EU-15 imports and base period consumption: USDA, PS&D.

Note: the 5 percent threshold is not binding under the Uruguay Round Agreement on Agriculture.

## EU Allocates TRQs Like Old Quotas

The EU allocates its new tariff-rate quotas to importers like the old quotas, under import licenses. Three principal methods exist for import license allocation: on a “first come, first served” basis, based on traditional trade flows, and based on proportion to the quantities requested. These methods apply both for current and minimum access TRQs. Only companies established in the EU may apply for a license to import.

The EU allocates some of its TRQs to specific countries and others on an MFN basis to all third countries. To take advantage of a TRQ tariff preference applying to a specific country, the importer must furnish a certificate proving its origin. Certificates of origin are issued by the government of the source country. One difference between the allocation of current access and minimum access TRQs relates to which third countries are eligible as the import source. Because the EU’s current access TRQs cover imports under the old quota system, they are allocated mostly to specific countries. On the other hand, most of the EU’s minimum access TRQs are allocated on a non-country specific basis, as they are not based on historical trade.

One topic of considerable interest is the “quota rents” that are associated with the license to import or export. The value of the rent equals the imported quantity multiplied by the difference between the domestic and the duty-paid import price. Because the EU allocates its TRQs under import licenses and only companies established in the EU may apply for a license to import, normally the quota rents accrue largely to EU importers. However, for some products such as rice, milk products, and bananas, a *special export certificate* from the source country is required in order to import. This states that the importer has secured a quantity of the source country’s product. Because the export certificate is issued by the exporting country, part of the quota rent is captured by the country of origin. The issue of TRQ rents has become a point of contention between the EU and some countries of Central and Eastern Europe that are parties to the Europe Agreements, because under these agreements most of the quota rents accrue to EU importers and not CEE exporters.

Source: *Tariff-Rate Quotas in EC and GATT Law*, O’Connor and Co. (Brussels: 1997), pp.35- 38, pp.53-54.

on EU market access. Reduced tariffs over the implementation period may also have a positive effect on EU imports.

### Sources

CAP Monitor.

EU Uruguay Round Agreement on Agriculture schedules CXL and LXXX.

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## Appendix 1--EU-15 Market Access Arrangements Under the Uruguay Round

	Grains	Oilseeds	Livestock / meats	Dairy	Horticultural products	Tropical products	Processed products
<b>Out-of-quota import regime</b>	Variable tariffs, bound bound by maintaining relationship between duty-paid import price and internal EU price	Entry subject to low or zero tariffs, no quantity restrictions 1/	Bound tariffs	Bound tariffs	Bound tariffs subject to an Entry Price System (EPS) for several products	Bound tariffs	Bound tariffs plus added tariffs varying with content of added sugar, flour, starch, or milk
<b>Current access TRQs under Uruguay Round</b>	<i>Minimum purchase agreements:</i> - 2mt corn* -300,000 t sorghum*  475,000 t brans and sharps 120,000 t barley malt mixtures 2,800 t animal feed preparations** 1,000 t broken rice** 1,300 t millet**		179,000 head cattle 145,250 t beef 323,935 t sheep and goats (carcass/live weight)	76,667 t butter 18,750 t cheese	62,660 t mushrooms 12,000 t onions, dried 90,000 t almonds 3/ 1,500 t frozen orange juice 605,000 t sweet potatoes 4,000 t new potatoes** 1,200 t carrots and turnips** 1,100 t cucumbers** 500 t sweet peppers** 6,900 t fresh non-citrus fruits**	6.85 mt manioc and other high-starch roots and tubers 10,000 t manioc starch 857,000 t bananas 4/ 2.2 mt bananas 4/ 1.39 mt refined/raw sugar 4,504 t fructose 35,000 t oranges/ minneolas 10,000 t lemons	
<b>Minimum access TRQs under Uruguay Round</b>	300,000 t food wheat*** 500,000 t corn* 50,000 t durum wheat** 21,000 t oats** 10,000 t worked/ clipped oats** 83,000 t milled/ husked/broken rice**		20,000 t high quality beef *** 300 t beef** 75,600 t pork, 29,900 t fresh, chilled, or frozen poultry meats 2/	83,400 t cheese 68,000 t skimmed milk powder 157,500 t eggs and egg albumin 10,000 t butter			
<b>Reduced-tariff and TRQ arrangements lying outside URAA; EU concessions under the General-ized System of Preferences (GSP) (selected)</b>	Rice from ACP, OCT under Lome Convention and Egypt under bilateral agreement.  Wheat and coarse grains from CEE.	Olive oil from Maghreb countries and Turkey under Mediterranean Agreements.	Live calves from CEE. Prepared/preserved meats other than pork and pet food from CEE and GSP countries (main suppliers Thailand, South Africa, China, and Hungary).	Cheese, skimmed milk powder from CEE.  Cheese from Switzerland, Lichtenstein, Norway.	Fruit juices from Brazil, Argentina, and Thailand.  Prepared/preserved fruits and nuts under GSP scheme and Mediterranean Agreements. Fresh tomatoes from Canary Islands (Spain).	Tropical fruits and juices under Mediterranean Agreements.  Tropical oils, cocoa, coffee, tea, spices under Lome Convention.	
<b>Notes</b>	Part of the corn imports may include corn gluten feed and non-grain feed ingredients such as brewers' grains and citrus pulp.	1/ Under Blair House Agreement, US and EU shall agree to consult should imports exceed base period levels.	2/ Poultry TRQs include 15,500 tons awarded as compensation for 1992 oilseeds panel dispute	Cheese TRQs include 5,000 t pizza cheese and 15,000 t cheddar.	3/ 45,000 t of which is compensation from 1995 enlargement.	4/ Banana imports are subject to two separate regimes under the Banana Framework Agreement.	

Minimum access quantities are those applicable as of July 1, 2000. \* As compensation for EU enlargement to Spain and Portugal. \*\* As compensation for 1995 EU enlargement.

\*\*\* As compensation for 1992 GATT oilseeds dispute.